



February 1, 2006

Assemblymember Nicole Parra
Chair, Joint Legislative Audit Committee
State Capitol, Room 4005
Sacramento, CA 95814

Dear Assemblymember Parra:

We are writing to request that the State Auditor conduct a performance audit of the California Institute for Regenerative Medicine (CIRM) created by Proposition 71, the California Stem Cell Research and Cures Act, in November, 2004, and to report the results of the audit by September 30, 2006.

We believe a performance audit of the CIRM and the Independent Citizen's Oversight Committee (ICOC) which governs it would be of great value in guiding the implementation of this large new state program and ensuring that taxpayers' funds in this area are well spent. Among other things, we would recommend that the audit review the strategic policies and plans developed by the CIRM and the ICOC; policies and procedures for issuance of research and facility contracts and grants; policies for hiring and compensation of staff and for procurement of goods and services; policies for managing conflicts of interest for ICOC and working group members; and policies and procedures relating to management of intellectual property rights associated with research funded or commissioned by the CIRM.

As has been widely reported, the initial implementation of this important new program has been hampered by a number of problems. Due to litigation, the CIRM has not been able to issue bonds to commence making research and facility grants. As a result, the program has relied on loans from private individuals and may soon begin issuing bonds that are not backed by a payment guarantee by the state. In addition, a number of CIRM's hiring, compensation, and contracting actions and expenditures have been questioned as being excessive. Finally, many reviewers have questioned the criteria used to select a site for the CIRM's administrative offices.

SB 18 (Ortiz and Runner) of the 2005-06 Session would have required the State Auditor to conduct a performance audit of the CIRM and the ICOC and to provide the audit report to the Legislature on or before June 30, 2006. It would also have required the State Auditor, on or before October 2007, to provide an analysis of the CIRM's implementation of the recommendations contained in the audit report.

In his veto message, the Governor stated he was vetoing the measure due to concerns that these provisions constituted an impermissible legislative amendment of Proposition 71, which provides that its provisions may be amended by the Legislature in furtherance of its purposes no earlier than the third full calendar year following its adoption by 70 percent of the membership of both houses or the Legislature. The veto message urges the Legislature to pursue a performance audit of the CIRM through the Joint Legislative Audit Committee. Accordingly, through this letter we are requesting that JLAC commission a performance audit of CIRM and the ICOC.

Thank you for your attention to this request. If you have any questions regarding the request, please feel free to contact us or our staffs.

Sincerely,

SENATOR DEBORAH ORTIZ

SENATOR GEORGE RUNNER

SENATOR LIZ FIGUEROA

SENATOR SHEILA KUEHL

SENATOR ABEL MALDONADO

SENATOR RICHARD ALARCÓN

SENATOR GLORIA ROMERO

SENATOR ROBERT DUTTON

SENATOR JACK SCOTT

ASSEMBLYMEMBER WILMA CHAN

ASSEMBLYMEMBER JACKIE GOLDBERG